

MARKETS TODAY

In the air tonight



Good morning

It's been a risk-on night, a night of some returning support for the USD, the Bloomberg spot dollar index up 0.34% (the DXY by 0.46%), the Swiss Franc and the Yen seeing the larger declines overnight. The driver has been US politics and enlivened talk on tax reform.

News out of Washington has been tweaking the market's interest in some renewed political momentum developing around the Trump/GOP tax reform agenda. House Speaker Paul Ryan has been saying that the entire tax reform bill could be rolled into one bill, making it procedurally easier. US political website Politico reports that Trump's top aides and congressional leaders have made "significant strides in shaping a tax overhaul, moving far beyond the six-paragraph framework pushed out in July". There has been agreement to include a one-time low tax rate for US companies to bring back earnings from overseas and the article says there's a "broad consensus" on some of the best ways to cut individual and corporate tax rates. The USD has been on the nose till now positioning short and not at all pricing for tax reform. Any material sign of legislative progress as opposed to talk would certainly be USD-supportive.

The AUD sits back at 0.7911, at the bottom end of its recent trading range. There's been nothing startling on the commodity front from the overnight session, iron ore prices down 0.35%, metallurgical and steaming coal both a little higher, but base metals mixed. Oil and gold both eased.

As an exception to the stronger USD session, the CAD has risen by a net 0.20% against the big dollar, strengthening after the release of stronger than expected core (ex-auto) retail sales for June, up 0.7% after a 0.1% decline in May and expectations of only +0.1%. The loonie though has given back some of those gains on subsequent USD support. A tick up in oil prices also helped the CAD, the market expecting to see slimmer weekly inventories in the US. On the subject of oil and the medium to longer term outlook for prices from a bullish standpoint, an [Economic Letter](#) published by two economists from the San Francisco Fed came to the conclusion that demand out of China would likely see –even on moderate growth assumptions – large increases and big support for world prices.

The Germany/Eurozone ZEW Survey of investor sentiment for August came and went without any market impact, the Germany survey "Current Situation" index actually a tick stronger than expected, but expectations lower (as did the Eurozone's) in the wake of the stronger Euro and auto industry scandals. ECB Vice President Vitor Constancio (ex Governor of the Banco de Portugal) has been speaking overnight but not speaking about QE tapering but at a conference on inequality. He was quite gloomy on prospects for reducing inequality among advanced economies. He mentioned technological

developments, automation, artificial intelligence, organization of labour markets and of firms all in the direction of an aggravating inequality.

The UK CBI Trends survey for August was another positive surprise for UK manufacturing, orders up from 10 to 13 and not far short of June's +16 post-Brexit high, also the at decade highs. The Survey seemed to halt the decline in the Pound overnight.

US data was light weight from a market sensitivity perspective, with house prices and the Richmond Fed manufacturing survey, house prices a little softer than expected but the Richmond survey showing still solid growth in that region.

Coming up

NZ's Pre-Election Economic and Fiscal Update (PREFU) is being released this at midday NZT but seems unlikely to be a big influence on NZ market pricing. Rather, it'll show a still healthy set of accounts with rising surplus in prospect. That serves as a backdrop for parties to make more promises.

AU Skilled vacancies for July is the only local data release today, reflecting as it has a positive outlook for local labour demand. It rose 0.9% m/m in June. Japan also releases its preliminary Manufacturing PMI for August this morning at 10.30 AEDT (L: 52.1), followed by final July Machine Tool Orders this afternoon.

ECB President Draghi is speaking in Germany early in the London session. Unless he drops a bombshell giving greater clarity as to when the ECB might commence reducing its QE program, there'll be more interest in the preliminary August Eurozone PMIs, the market looking for another batch of equally strong readings for the Manufacturing and Services sectors. He's then doing a Phil Collins of 32 years ago, jumping on a plane and flying across the Atlantic to Jackson Hole, Wyoming, speaking there on Friday after Yellen.

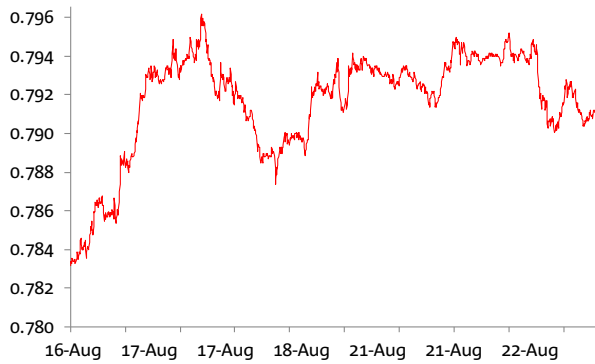
The Fed's Kaplan is speaking tonight, with US New Home Sales for July also due. Kaplan – a voter this year on the FOMC – has recently urged patience with future hikes, saying he'd like to see evidence that the Fed will meet its inflation target, noting the impact of globalisation on pricing power. "We should be very patient and judicious" on our next Fed Funds rate move, he said, also saying it's OK with getting the process of shrinking the balance sheet underway in the near future.

Overnight

On global stock markets, the S&P 500 was +0.99%. Bond markets saw US 10-years +3.14bp to 2.21%. In commodities, Brent crude oil -0.15% to \$51.58, gold -0.4% to \$1,285, iron ore -0.4% to \$79.65, steam coal +0.1% to \$98.40, met. coal +0.8% to \$195.25. AUD is at 0.7911 and the range since yesterday 5pm Sydney time is 0.7898 to 0.7951.

Markets

AUD/USD - past week



Source: Bloomberg.

US 10yr - past week



Source: Bloomberg.

S&P Future - past week



Source: Bloomberg.

WTI - past week



Source: Bloomberg.

Foreign Exchange

	Indicative 24hr ranges (**)				Other FX	
	Last	% chge	Low	High	Last	% chge
AUD	0.7911	-0.2	0.7898	0.7951	HKD	7.8263 0.0
NZD	0.7278	-0.5	0.7273	0.7337	CNY	6.6624 -0.1
EUR	1.1762	0.0	1.1745	1.1828	SGD	1.3621 0.0
GBP	1.2824	-0.6	1.2811	1.2916	IDR	13,344 -0.1
JPY	109.57	0.4	108.64	109.65	THB	33.24 0.0
CAD	1.2565	-0.2	1.2526	1.2599	KRW	1,134 -0.5
AUD/EUR	0.6725	-0.3	0.6711	0.6748	TWD	30.30 -0.1
AUD/JPY	86.67	0.2	86.27	86.93	PHP	51.23 -0.4
AUD/GBP	0.6169	0.3	0.6145	0.6184	CHF	0.97 0.1
AUD/NZD	1.0868	0.3	1.0822	1.0874	SEK	8.10 0.1
AUD/CNH	5.2771	-0.3	5.2664	5.3072		

Interest Rates

	Indicative Swap Rates				Benchmark 10 Year Bonds		
	Cash	3mth	2Yr	10Yr	Last	chge	Sprd
USD	1.25	1.31	1.58	2.16	USD 10	2.21	3.14
AUD	questing	1.71	1.94	2.83	AUD 10	2.65	0.70 0.43
NZD	1.75	1.95	2.19	3.16	NZD 10	2.90	3.30 0.68
EUR	0.00	-0.33	-0.18	0.82	CAD 10	1.92	3.60 -0.29
GBP	0.25	0.28	0.56	1.17	EUR 10	0.40	0.00 -1.81
JPY	-0.05	-0.03	0.02	0.22	GBP 10	1.09	1.70 -1.13
CAD	0.75	1.30	1.59	2.17	JPY 10	0.04	1.20 -2.17

Equities

Major Indices			
	Last	% day	% y/y
Dow	21,900	0.90	18.2
S&P 500	2,453	0.99	12.4
Nasdaq	6,297	1.36	20.1
VIX	11.35	-13.95	-7.5
FTSE	7,382	0.9	8.1
DAX	12,229	1.4	16.5
CAC 40	5,132	0.9	16.9
Nikkei	19,384	0.0	17.5
Shanghai	3,290	0.1	6.5
Hang Seng	27,402	0.9	19.1
ASX 200	5,750	0.4	3.5

Overnight Futures

	Last	Chge*
Australia		
3 mth bill	98.27	0.00
3 Yr bond	97.8	3.00
10 Yr bond	97.34	-7.00
3/10 sprd	0.47	10.00
SPI	5745.0	-65.0

*Change in bps

Commodities*

	Last	% day
Oil (Brent)	51.60	-0.1
Oil (WTI)	47.63	0.2
Oil (Tapis)	51.76	-2.2
Gold	1285.10	-0.4
CRB	176.73	0.1
GS Metals	361.2	0.1
Aluminium	2062.5	-0.3
Copper	6559.3	-0.1
Nickel	11376.0	0.9
Zinc	3117.0	-0.3
Ch. steel	3770.0	-3.7
Iron ore	79.7	-0.4
St. Coal	98.4	0.1
Met.coal	195.3	0.8
Wheat Chic.	452.8	-1.6
Sugar	13.5	-0.1
Cotton	68.9	0.2
Coffee	129.1	-0.8

Prob. of 25bps hike/cut at next meeting

	bps	%
RBA	-0.2	-1.0%
FED	-0	-2.0%

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

* All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

** These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

Last is around 6:30am Sydney

Source: Bloomberg

CALENDAR

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Wednesday, 23 August 2017								
NZ	Pre-election Economic and Fiscal Update						1.00	10.00
AU	Skilled Vacancies MoM	Jul				0.9	2.00	11.00
JN	Machine Tool Orders YoY	Jul F				26.3	7.00	16.00
EU	ECB's Draghi Speaks in Lindau, Germany						8.00	17.00
GE	Markit/BME Germany Manufacturing PMI	Aug P		57.6		58.1	8.30	17.30
EC	Markit Eurozone Manufacturing PMI	Aug P		56.3		56.6	9.00	18.00
EC	Markit Eurozone Services PMI	Aug P		55.4		55.4	9.00	18.00
EC	Markit Eurozone Composite PMI	Aug P		55.5		55.7	9.00	18.00
US	MBA Mortgage Applications	Aug 18				0.1	12.00	21.00
US	Fed's Kaplan (voter) speak to Oil Group in Texas						14.05	23.05
US	Markit US Manufacturing PMI	Aug P		53.5		53.3	14.45	23.45
US	New Home Sales	Jul		610		610.0	15.00	0.00
US	New Home Sales MoM	Jul		0		0.8	15.00	0.00
EC	Consumer Confidence	Aug A		-1.8		-1.7	15.00	0.00
Thursday, 24 August 2017								
NZ	Trade Balance NZD	Jul		-200		242.0	23.45	8.45
JN	Nikkei Japan PMI Mfg	Aug P				52.1	1.30	10.30
JN	Leading Index CI	Jun F				106.3	6.00	15.00
JN	Coincident Index	Jun F				117.2	6.00	15.00
UK	UK Finance Loans for Housing	Jul				40200.0	9.30	18.30
UK	GDP QoQ	2Q P		0.3		0.3	9.30	18.30
UK	Index of Services MoM	Jun		0.2		0.2	9.30	18.30
UK	Index of Services 3M/3M	Jun		0.5		0.4	9.30	18.30
US	Initial Jobless Claims	Aug 19		238		232.0	13.30	22.30
US	Continuing Claims	Aug 12		1950		1953.0	13.30	22.30
UK	CBI Retailing Reported Sales	Aug		14		22.0	11.00	20.00
UK	CBI Total Dist. Reported Sales	Aug		16		21.0	11.00	20.00
US/EC	Kansas City Fed hosts annual Jackson Hole Policy Symposium - Yellen and Draghi Speak at the event						24-27 Aug	
US	Existing Home Sales	Jul		5.55		5.5	15.00	0.00
US	Existing Home Sales MoM	Jul		0.54		-1.8	15.00	0.00
US	Kansas City Fed Manf. Activity	Aug		11		10.0	16.00	1.00
Friday, 25 August 2017								
JN	Natl CPI YoY	Jul		0.4		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food YoY	Jul		0.5		0.4	0.30	9.30
JN	Natl CPI Ex Fresh Food, Energy YoY	Jul		0.1		0.0	0.30	9.30
JN	Tokyo CPI YoY	Aug		0.3		0.1	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food YoY	Aug		0.3		0.2	0.30	9.30
JN	Tokyo CPI Ex-Fresh Food, Energy YoY	Aug		-0.1		-0.1	0.30	9.30
JN	PPI Services YoY	Jul		0.8		0.8	0.50	9.50
GE	IFO Business Climate	Aug		115.5		116.0	9.00	18.00
GE	IFO Current Assessment	Aug		125		125.4	9.00	18.00
GE	IFO Expectations	Aug		106.8		107.3	9.00	18.00
US	Durable Goods Orders	Jul P		-6		6.4	13.30	22.30
US	Cap Goods Orders Nondef Ex Air	Jul P		0.4		0.0	13.30	22.30
US	Fed Chair Yellen at Jackson Hole on "Financial Stability"						15.00	0.00
US	Baker Hughes U.S. Rig Count	Aug 25				946.0	18.00	3.00
EC	ECB's Draghi Speaks at Jackson Hole							
Saturday, 26 August 2017								
CH	Industrial Profits YoY	Jul				19.1	2.30	11.30
Upcoming Central Bank Interest Rate Announcements								
New Zealand, RBNZ		28-Sep	1.75%	1.75%		1.75%		
Australia, RBA		5-Sep	1.50%	1.50%		1.50%		
Canada, BoC		6-Sep				0.75%		
Europe ECB		7-Sep	-0.4%	-0.4%		-0.4%		
UK BOE		14-Sep				0.25%		
US Federal Reserve		21-Sep	1.00-1.25%	1.00-1.25%		1.00-1.25%		
Japan, BoJ		21-Sep	-0.1%	-0.1%		-0.1%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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